

# Design Concepts for New HR System

**Human Resource Focus Groups**  
**June 2003**  
Department of Personnel



<http://hr.dop.wa.gov/hrreform>

# Personnel Reform Act of 2002

- ◆ Three components:
  - ◆ Collective bargaining
  - ◆ Competitive contracting
  - ◆ New human resource system
- ◆ Our focus is on redesign of the state's human resource system — an extraordinary opportunity and challenge.
- ◆ Department of Personnel is committed to continuing to involve all affected parties in design of the new system.
- ◆ For the most part, system changes must be implemented by July 2005.

# Collective Bargaining

- ◆ New system applies fully to those not in bargaining units, and may be superceded for employees in bargaining units.
- ◆ Employees excluded from bargaining:
  - ◆ Washington Management Service
  - ◆ Exempt and confidential employees
  - ◆ Internal auditors
  - ◆ Staff in DOP, OFM and portions of AGO
  - ◆ Judiciary and legislative employees
- ◆ For purposes of focus group, assume options under discussion would apply to you.

# Subjects for Collective Bargaining

- ◆ Mandatory subjects for bargaining:
  - ◆ Wages and hours
  - ◆ Insurance benefits – only the dollar amount
  - ◆ Other terms and conditions of employment
- ◆ Excluded from bargaining:
  - ◆ Pensions
  - ◆ Inherent management policy (e.g., structure of an organization, use of technology, agency size or budget)
  - ◆ Financial basis for layoff
  - ◆ Directing and supervising staff
- ◆ Permissive (determined by OFM):
  - ◆ Classification system; rules pertaining to exams, job referral criteria, appointments, affirmative action, delegation of authority

# Competitive Contracting

- ◆ Expanded to include services “traditionally and historically provided by state employees”
- ◆ Employees have opportunity to offer alternatives, and to compete for the work
  - ◆ Activity is identified
  - ◆ Employees provide alternatives
  - ◆ If decision to contract out:
    - ◆ Employees may form a business unit
    - ◆ Respond to bid as would a private sector provider
- ◆ Training for employees to be provided by Department of Personnel

# Competitive Contracting (cont.)

- ◆ Bid process requires:
  - ◆ Existence of a competitive market
  - ◆ Measurable standards for performance
  - ◆ Provision requiring entity to consider employment of state employees who may be displaced
  - ◆ Consideration of risk associated with failed performance by the contractor
- ◆ Rules to be adopted by General Administration and subject to full scope collective bargaining
- ◆ Provisions effective July 2005

# New Human Resource System Vision and Overall Design Concepts

**Vision:** A responsive human resource system that flexes with state government's changing business needs, and treats employees with fairness, dignity, and respect.

## **Design Criteria:**

- ◆ Minimal number of rules
- ◆ Ensures fair treatment for employees & managers
- ◆ Easy to understand and simple to use
- ◆ Fast and responsive to a variety of needs and situations
- ◆ Open and flexible; provides multiple options
- ◆ Adaptable to change; can be easily modified & improved
- ◆ Automated to the degree possible
- ◆ Focused on outcomes, rather than process

# Customer Research

- ◆ Extensive surveys of state employees, managers, and human resource staff to determine needs and preferences
  - ◆ Approximately 4,200 respondents representing broad cross section of agencies and job levels
- ◆ Focus groups and feedback forums
  - ◆ More than 50 information and feedback sessions throughout the state
  - ◆ Estimated 3,000 attended feedback sessions
- ◆ On-going feedback forum on web site



# System Research

- ◆ Extensive research was done to determine trends and best practices among other public and private sector employers.
- ◆ A team worked from June through August 2002 collecting information from:
  - ◆ All 50 states, federal and local government, other countries.
  - ◆ Selected universities, private sector, and HR organizations.
  - ◆ Dozens of reports, articles, books, and web sites.

# Concept Teams

- ◆ Interagency teams were made up of managers, human resource professionals, and union representatives
- ◆ Teams developed initial design concept recommendations for key components of new HR system:
  - ◆ Classification and compensation
  - ◆ Recruitment and selection
  - ◆ Reduction-in-force (RIF) process
  - ◆ Performance management
  - ◆ Work/life balance

# Refined Design Recommendations

- ◆ The Concept Teams presented recommendations to the Department of Personnel for further analysis and refinement.
- ◆ After careful review, DOP selected those recommended options (or modifications thereof) which were most viable and should be presented for feedback to a broader audience.

# Customer Research Phase 2

- ◆ Agency management team meetings – May & June.
- ◆ Focus groups – agency employees, higher education employees, human resource professionals.
- ◆ Web site posting and on-line feedback options beginning mid-June.

# Timeline and Next Steps



# Classification & Compensation System

# Reform Act Requirements

Personnel Reform Act called for a new classification system that would:

- ◆ Improve effectiveness and efficiency of service delivery.
- ◆ Substantially reduce the number of job classifications.
- ◆ Facilitate the most effective use of state personnel resources.
- ◆ Be responsive to changing technologies, economic and social conditions, and needs of citizens.
- ◆ Value workplace diversity.
- ◆ Facilitate reorganization and decentralization of services.
- ◆ Enhance mobility and career advancement.

## Classification & Compensation

# Present System

- ◆ Each position is placed into a narrowly defined job classification.
- ◆ There are currently 2,400 separate job classes for general government and higher education.
- ◆ Each job class is assigned to one of 83 narrow salary ranges.
- ◆ Each salary range is approx. 28% wide from minimum to maximum salary.



# Present System (cont.)

- ◆ Each salary range is made up of 11 pre-defined steps (A-K) that are approximately 2.5% apart in value.
- ◆ Employees receive approx. 5% step increases annually, based solely on longevity.
- ◆ From step A, it takes 4 1/2 years to reach the top step, after which employees receive only legislatively enacted cost of living increases.

# Problems with Present System

- ◆ Viewed by customers as too complex, cumbersome, and rigid.
- ◆ Provides little flexibility to reorganize or change job responsibilities based on changing technologies, customer needs, etc.
- ◆ Encourages proliferation of classes.
  - ◆ Incentive to create new classes in order to obtain salary increases
- ◆ Does not facilitate employee mobility/career paths.

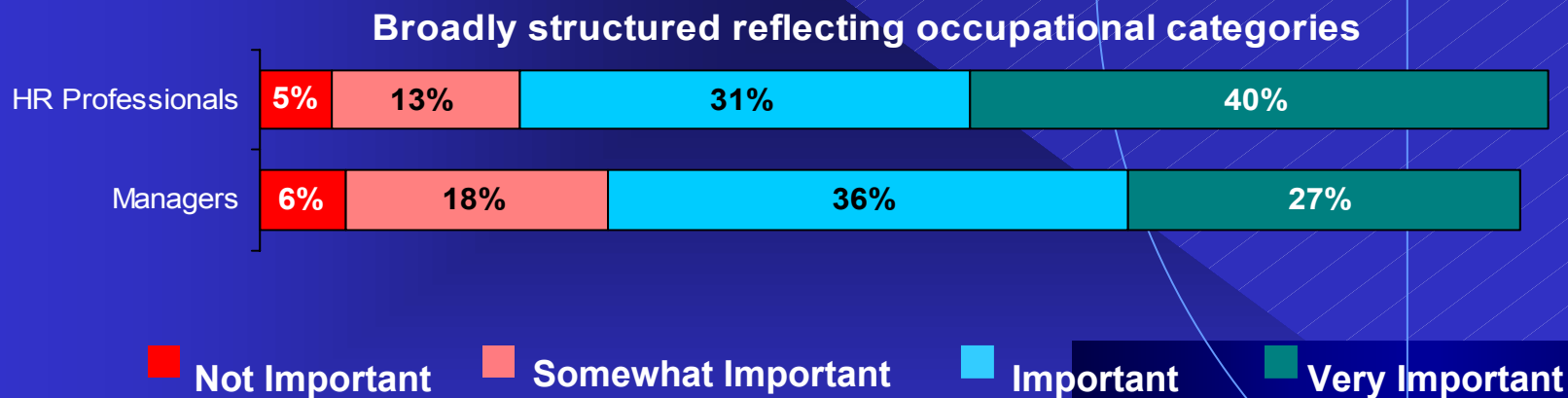
# Problems with Present System (cont.)

- ◆ Rigid system is obstacle to recruiting and retaining top performers or those with special skills.
- ◆ Longevity-based increases provide no recognition for excellent performance.
- ◆ It is de-motivating for good performers who are paid same as poor performers in same job class.
- ◆ Nearly two-thirds of classified employees are at step K, with no room for salary growth unless promoted or reallocated.

## Classification & Compensation

# Customer Research Findings

About two-thirds of managers and HR professionals favored some type of broader classification system.



## Classification & Compensation

# Customer Research Findings (cont.)

Majority felt other factors need to be considered in determining salary, instead of or in addition to longevity



# Trends and Best Practices

- ◆ Overall trend in other states is towards reducing the number of job classifications (some now have 250-500).
- ◆ A common approach is to use occupational groupings.
- ◆ Overall compensation trend is to support a performance-based culture, where monetary awards are tied to attainment of pre-defined goals.

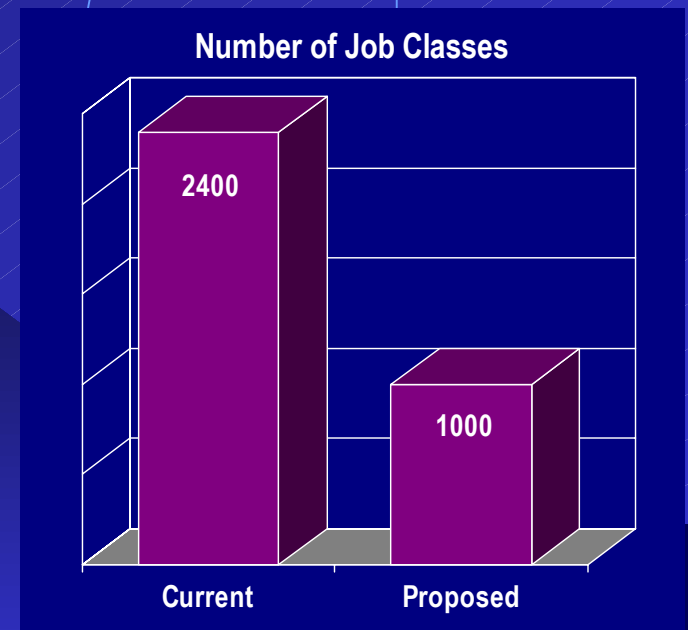
# Trends and Best Practices (cont.)

- ◆ Many states are moving towards more flexible systems with broader salary bands and/or pay options that allow for recognition of factors such as:
  - ◆ Labor market shortages
  - ◆ Education, training, and skill development
  - ◆ Performance awards for both individuals and groups
- ◆ Average number of salary ranges is 37, compared to Washington's 83. Most actually have 30 or fewer.

## Classification & Compensation

# Design Option: Occupational Categories

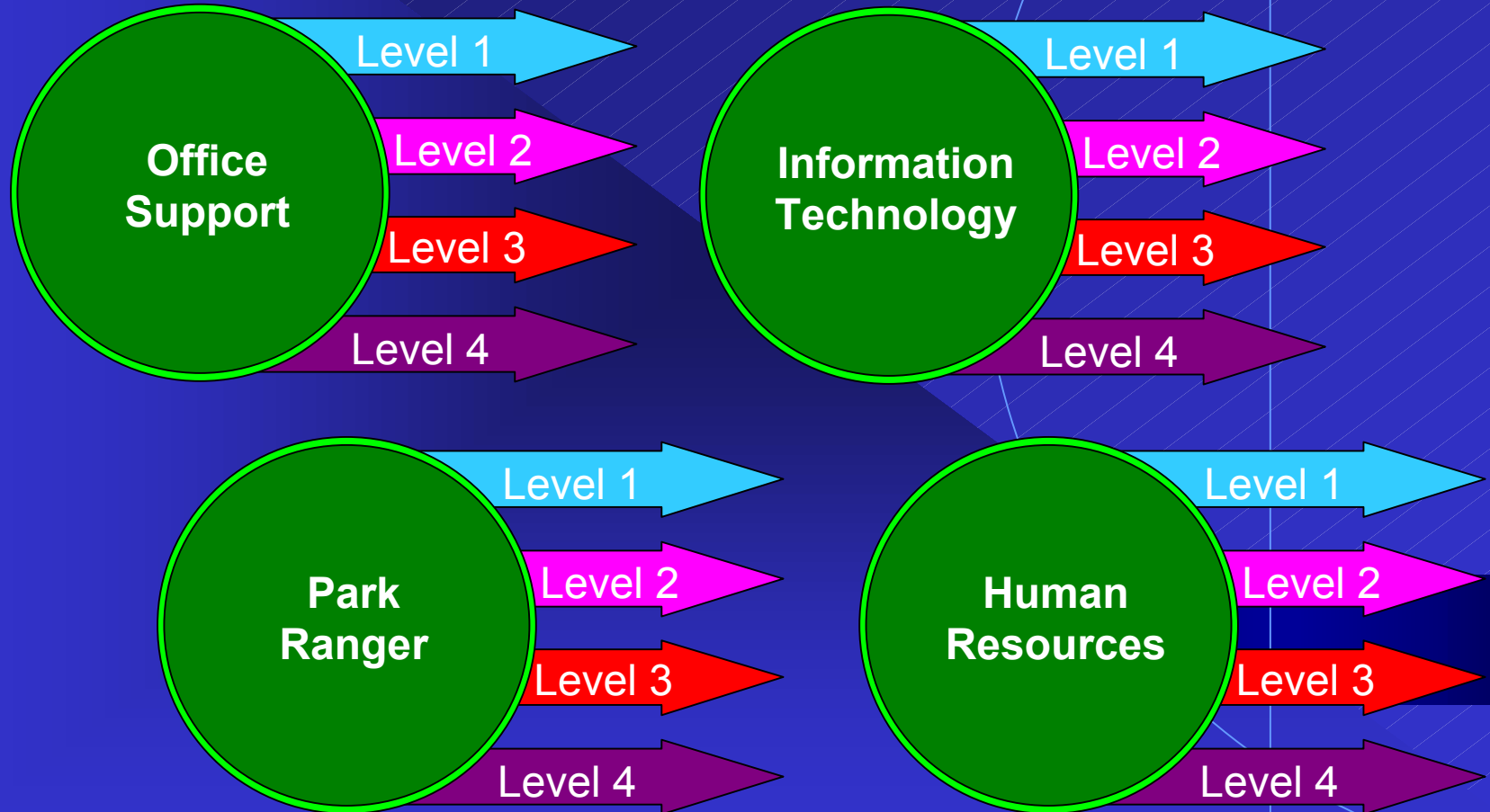
- ◆ Consolidates current job classes into broad occupational categories.
- ◆ Positions could be assigned to one of four levels within each occupational category:
  - ◆ Level 1 – Entry
  - ◆ Level 2 – Journey
  - ◆ Level 3 – Senior
  - ◆ Level 4 – Supervisory
- ◆ Could yield approximately 800-1,200 job classes.
- ◆ Agency involvement will help determine final categories.





## Classification & Compensation

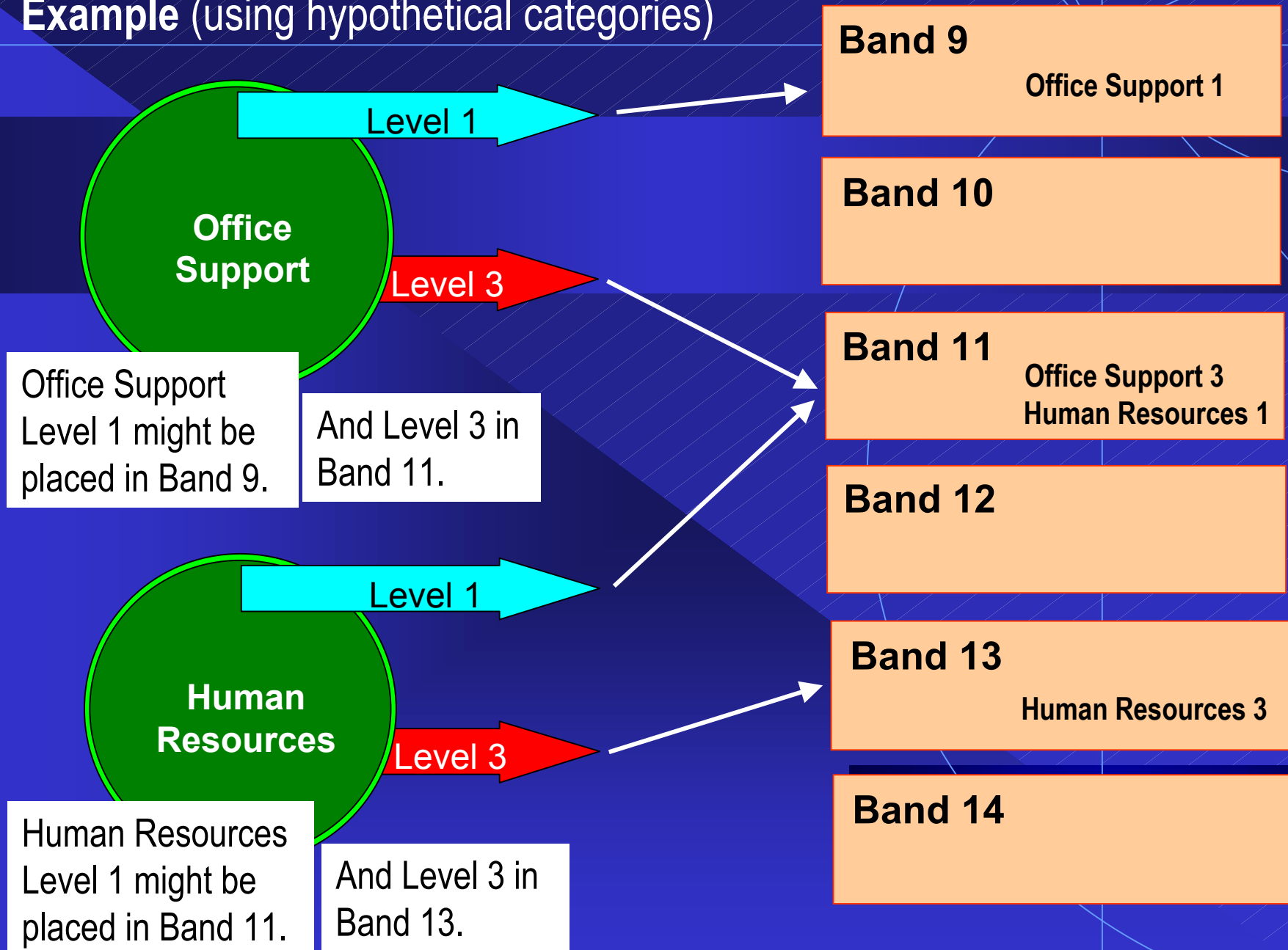
# Examples of Possible Categories



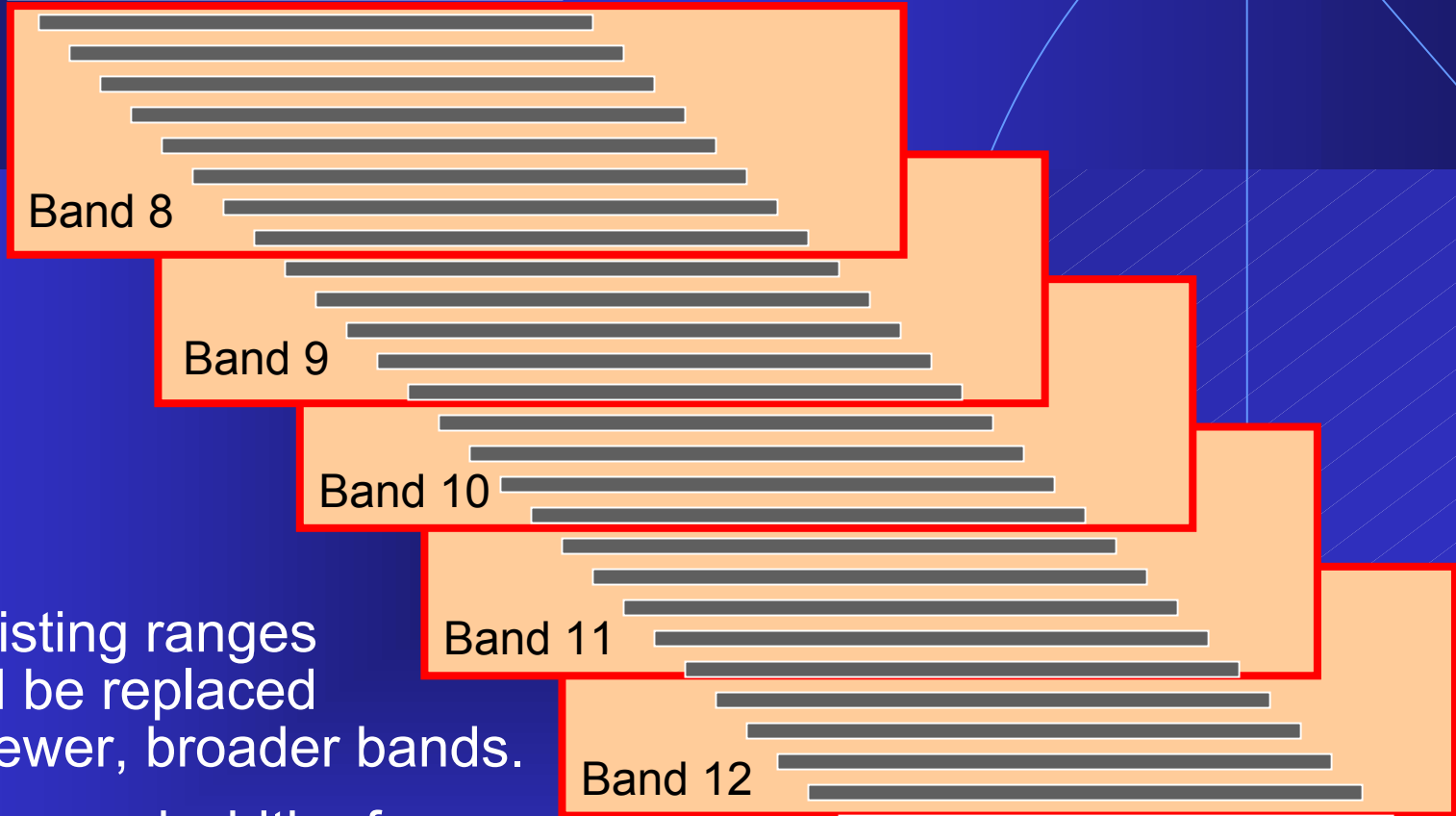
# Design Options

- ◆ Current salary ranges would be consolidated and broadened into fewer, wider bands.
- ◆ Each level of an occupational category would be assigned to a different band; similar to current system of assigning each job class to a salary range.
- ◆ Just as multiple job classes may be assigned to the same salary range, multiple occupational category levels could be assigned to the same band.

## Example (using hypothetical categories)



# Example

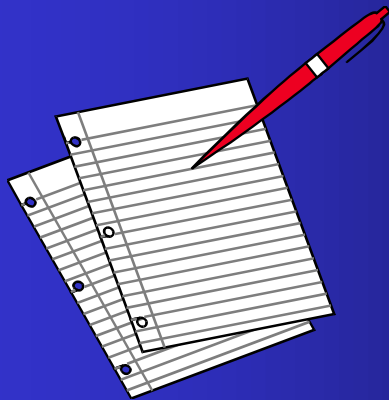


83 existing ranges  
would be replaced  
with fewer, broader bands.

Number and width of  
bands would be based on final job  
categories as determined by  
customer input.

# Classification & Compensation

## Example



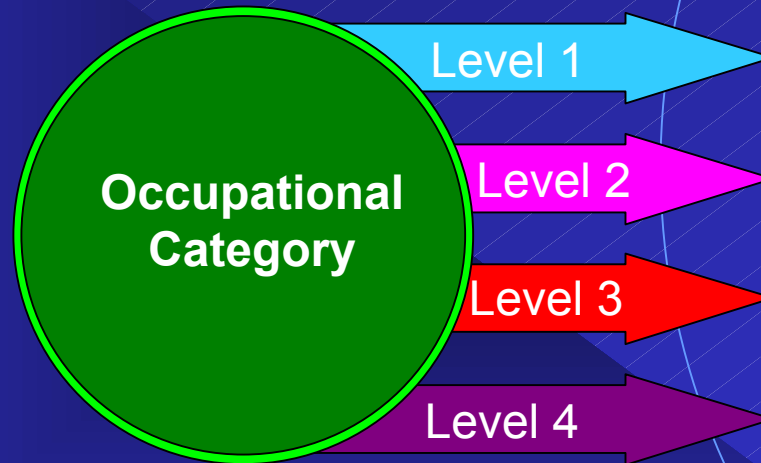
Employee completes position description & manager approves.



Position placed in appropriate occupational category & level.

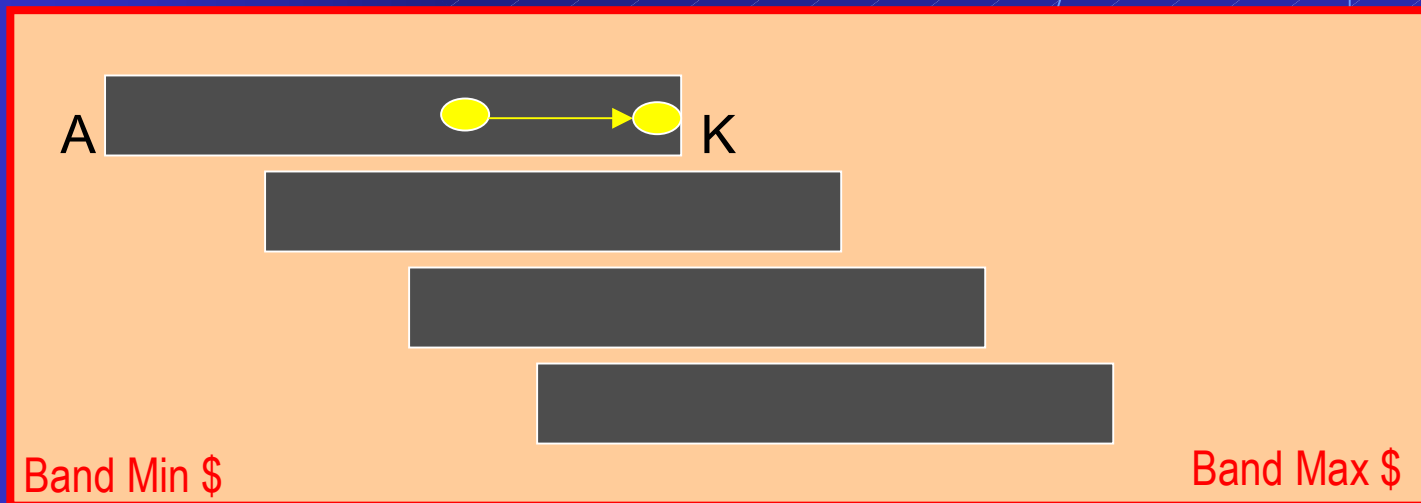


Position is placed in a salary band based on the occupational category and level.



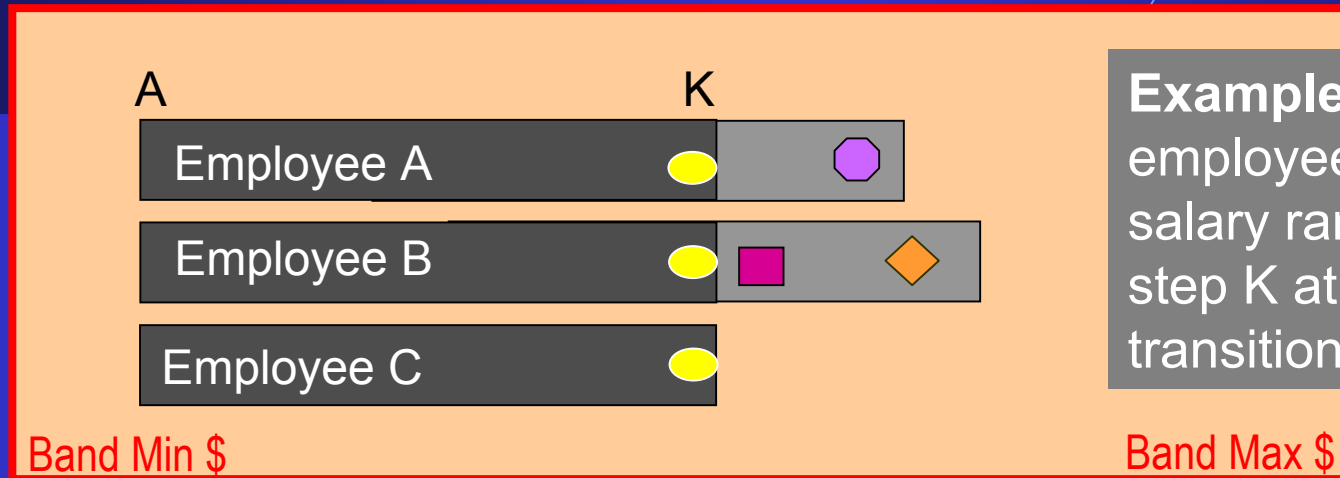
## Classification & Compensation

### Example – Initial Transition



- ◆ Employee transitions in at existing salary.
- ◆ If not at step K, continue to receive longevity increases until reaching salary equivalent to step K (most are at step K).

# Movement After Transition



**Example:** Three employees in same salary range and step K at time of transition

Subsequent adjustments of X% to *base* salary based on factors such as:

- Retention/market/geographic issues
- ◆ Performance/value – sustained exceptional performance and/or successful demonstration of valuable new skills
- ◈ *Incremental* increases in duties and responsibilities (no need for formal reallocation to a higher job class)

# Subsequent Placement of Employees

After the transition, an employee's salary spread within the band could be based on analysis of factors such as:

- ◆ Internal alignment and equity
- ◆ Special competencies, skills, and experience brought to the job
- ◆ Extraordinary position-specific circumstances such as locality, recruitment/retention, etc.
- ◆ Hiring incentives



## Classification & Compensation

# Design Options

- ◆ Within the band, each position would be assigned a salary spread of X% for longevity-based increases (similar to current salary ranges).
- ◆ Beyond that point, an option is to allow employers to award “performance/value” increases up to X%.
- ◆ Salary spread could be adjusted upward based on increased responsibilities.
- ◆ Incumbents may no longer be required to compete for their own job when “promoted” based on aggregate work assignments.

## Classification & Compensation

# Compensation “Tool Kit” Approach

Base Pay	Pay Practices
<ol style="list-style-type: none"><li>1. Longevity progression steps</li><li>2. Performance/value increases</li><li>3. Promotions</li><li>4. General increases</li><li>5. Partial salary survey</li></ol>	<ol style="list-style-type: none"><li>1. Overtime</li><li>2. Exchange time</li><li>3. Recruitment/retention pay</li><li>4. Assignment pay</li><li>5. Skill-based pay</li><li>6. Shift differential</li><li>7. Stand-by</li><li>8. Call back</li><li>9. Equity alignment pay</li><li>10. Recognition pay</li><li>11. Severance pay</li></ol>

# Performance/Value Increase Options

- ◆ Applied only after all longevity-based increases.
- ◆ Not automatic.
- ◆ Based on *sustained* high performance set forth and documented in the employee's performance plan and appraisal.
- ◆ Based on development and successful *ongoing* demonstration of special skills and knowledge that significantly enhance value to the organization.
- ◆ DOP provides distinct criteria and documentation tools.
- ◆ Contingent upon agency policy and budget controls.

# Recognition Pay Option

- ◆ One-time “lump sum” pay, not added to base salary
- ◆ Recognize significant individual or team accomplishments, within pre-defined parameters
- ◆ Not an entitlement; must be re-earned
- ◆ Organizations would have to budget funds, or could possibly use portion of savings generated by the accomplishment
- ◆ DOP would develop broad policy guidance, training, and models

# Provisions for Consistency & Fairness

- ◆ By rule, establish criteria for increases within band.
- ◆ Agency sets policy, budget controls, management accountability.
- ◆ DOP consults; provides documentation tools, guidelines, and support systems; and monitors statewide trends to identify and inform agencies of any emerging issues.
- ◆ All employees will have appeal rights to the Personnel Resources Board for position exemption, allocation, or reallocation.

## Classification & Compensation

# Advantages

- ◆ Substantially reduces number of job classes
- ◆ Easy to understand and work with
- ◆ Minimizes process and administrative time and cost
- ◆ Easily decentralized
- ◆ Enables users to respond to changes
- ◆ Enhances mobility and career growth opportunities
- ◆ Provides flexibility to reward outstanding performance
- ◆ Addresses many of the concerns and preferences state employees expressed as part of customer research

## Classification & Compensation

# Discussion

- ◆ What do you think about the concept of broader occupational categories? (likes, dislikes, other concerns)
- ◆ What do you think about the following compensation options:
  - ◆ Broader salary bands?
  - ◆ Variance in longevity step increases?
  - ◆ Performance/value increases (added to base pay)?
  - ◆ Recognition pay (lump sum awards)?
- ◆ What challenges/opportunities do you see in administering a system like this?

# Recruitment & Selection



# Trends and Best Practices

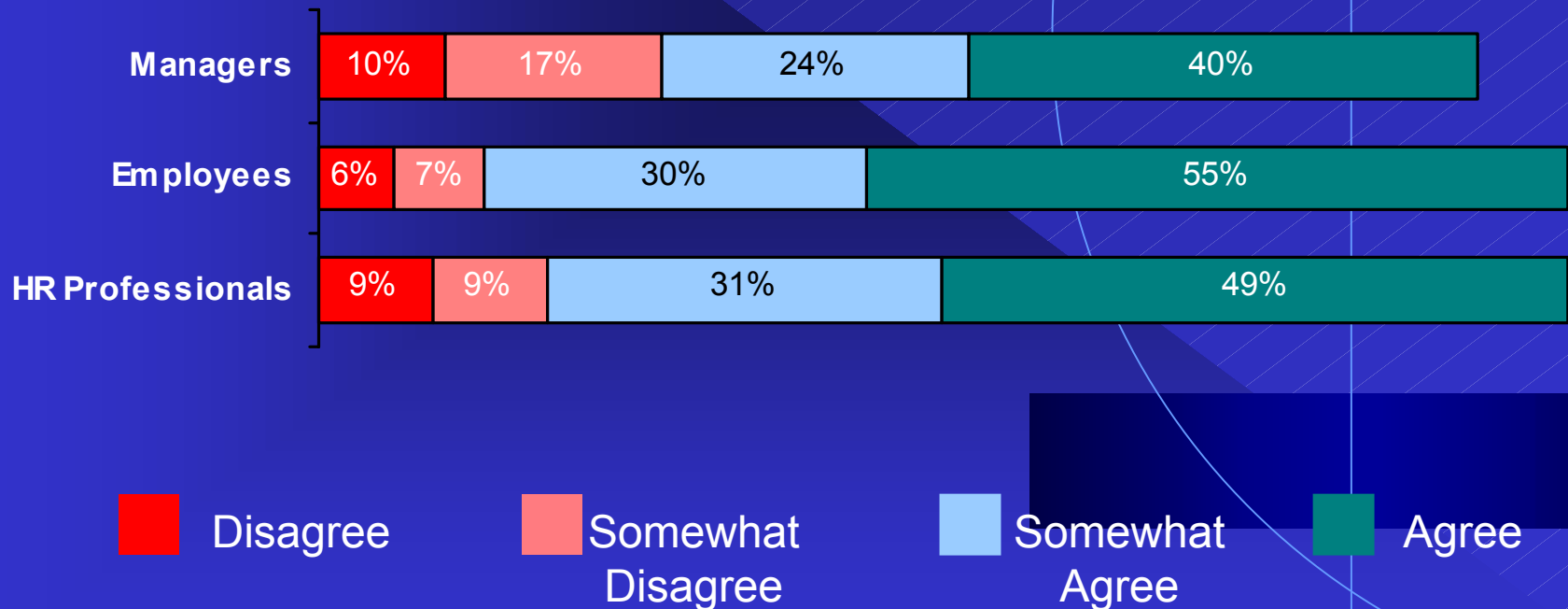
In order to achieve high quality service at the lowest cost, employers must be able to hire appropriately skilled and qualified employees in a timely manner. To do this, states are:

- ◆ Making the hiring process more timely and user friendly.
- ◆ Making recruitment more proactive/aggressive.
- ◆ Tracking and monitoring recruitment methods/results.
- ◆ Decentralizing recruitment and selection processes.
- ◆ Providing flexibility in selection methods.
- ◆ Reducing reliance on traditional testing.
- ◆ Removing restrictive regulations.

## Recruitment & Selection

# Customer Research Findings

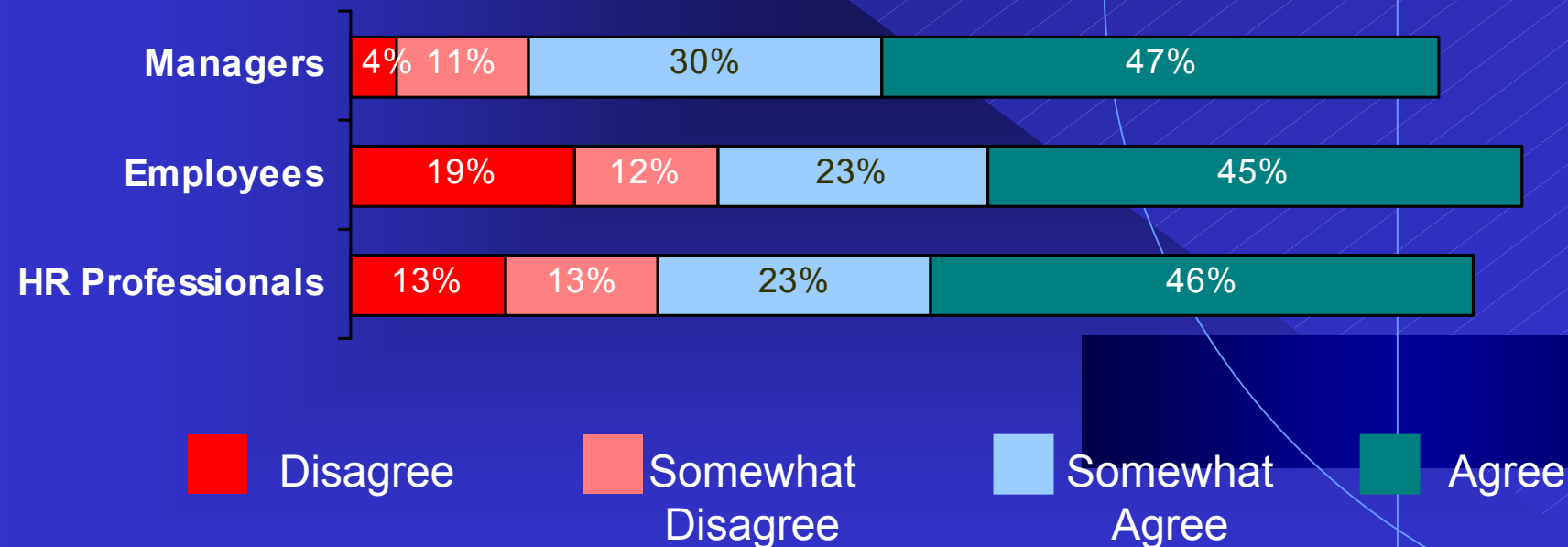
**Applicants able to apply for any job at any time:**



## Recruitment & Selection

# Customer Research Findings

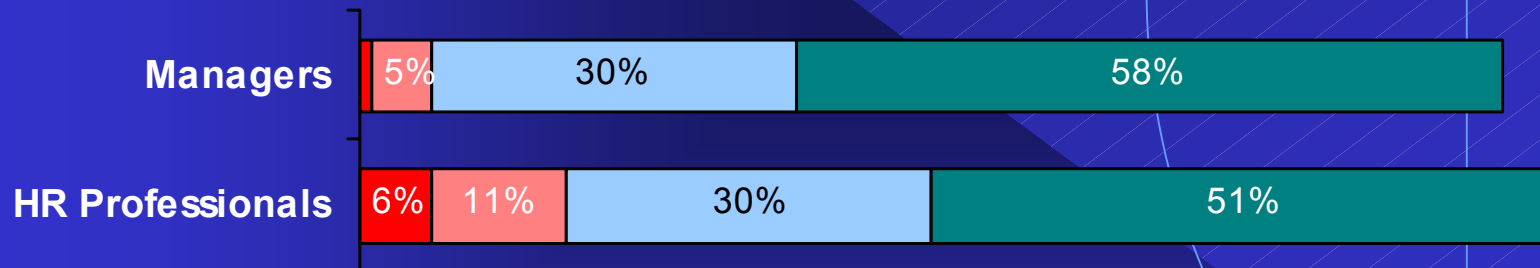
**Desirable qualifications, rather than minimum qualifications:**



## Recruitment & Selection

# Customer Research Findings

**Candidate screening based on position-specific qualifications, rather than those of entire job class:**



Disagree



Somewhat  
Disagree



Somewhat  
Agree

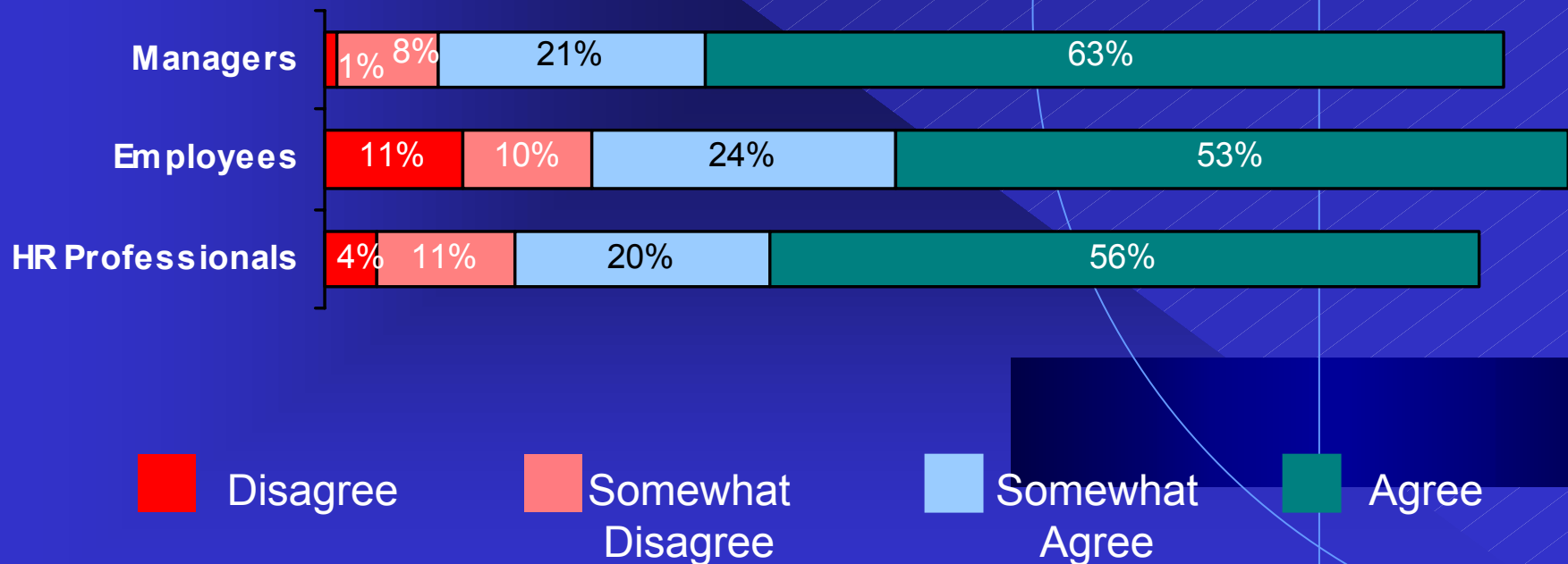


Agree

## Recruitment & Selection

# Customer Research Findings

**Consider all qualified candidates, rather than “Rule of 7” limit:**



## Recruitment & Selection

# Funnel Concept

Recruitment & Selection process starts out broad and inclusive and narrows available candidates down to the few who are most appropriate for the position, based on job-related factors.

### Potential Pool

Possible Job Candidates

.....

### Applicant Pool

Candidates with an interest or who meet required/desirable qualifications

.....

### Candidate Pool

Candidates who meet position specific criteria

.....

### Interview Pool

Best candidates for position

**HIRE**

## Recruitment & Selection

# Vision of Future Recruitment

Present System	Future Vision
Internet Application process allows application at any time and provides immediate test results and register placement.	Continue expansion of Internet Application as fast, efficient process for agencies to tap into. Make available to higher education institutions.
Initial screening is based on required minimum qualifications for the job classification.	Eliminate required qualifications except when required by law. Screen for position-specific qualifications as determined by hiring organization.

## Recruitment & Selection

# Vision of Future Recruitment

Present System	Future Vision
Additional screening (testing) is based on classification and done centrally.	Screening of candidates done at agency/institution level using job-specific criteria and methods.
Applicants are placed on ranked registers, based on test scores.	Create one open unranked candidate pool for occupational groupings in most cases.
Promotional registers rank before open competitive.	Give agencies/institutions flexibility to determine whether/how to provide promotional preference.
Consideration is usually limited to top 7 by register ranking (Rule of 7).	Remove restrictions on number of candidates referred.



## Recruitment & Selection

# Centralized/Decentralized Service Options

- ◆ Internet Application services available for all agencies to use for initial application processing.
- ◆ Agencies may request DOP services for specific targeted recruitment.
- ◆ Agencies may request DOP services to develop screening tools.

# Additional Change Options

The full Design Options report outlines additional recommendations in the following areas:

- ◆ Reference checks and access to personnel records
- ◆ Length of trial service and probationary appointments
- ◆ Transfer, lateral movement, demotion, and elevation
- ◆ Nonpermanent appointments
- ◆ Seasonal employment

# Probationary/Trial Service Periods

- ◆ **Option 1:** Agencies/institutions set anywhere from 6 to 12 months, based on needs of the job. May extend 6-month period to 12 months should the need arise.
- ◆ **Option 2:** Leave most probationary periods at 6 months, with discretion to extend to max of 12 months on individual basis.
- ◆ **Option 3:** Make all probationary periods 12 months, with local discretion to reduce to no less than 6 months.
- ◆ Same options might apply to Trial Service appointments.

# Temporary Appointment Options

- ◆ **Option 1:** Up to 18 months. No extensions allowed, and a 6-month break required before returning to temporary capacity in same agency.
- ◆ **Option 2:** Up to 12 months. No extensions allowed, and a 3-month break required.
- ◆ **Option 3:** Up to 9 months. Extension up to 6 months allowed under special circumstances. 3-month break.
- ◆ **Option 4:** Apply current higher education provisions for temporary appointment, but with general government limit of 1560 hours.

## Recruitment & Selection

# Other Nonpermanent Appointments

Options will be addressed later in development process.

# Discussion

- ◆ How do you feel that a more open, flexible recruitment process would impact your agency?
- ◆ How do feel about the following proposed changes:
  - ◆ Screening for position-specific qualifications, rather than based on job class?
  - ◆ Eliminating the “Rule of 7”?
  - ◆ Allowing agencies to determine whether/how to give promotional preference?
  - ◆ Allowing probationary periods to be extended to 12 months?

# Reduction-in-Force

# Present Reduction-in-Force System

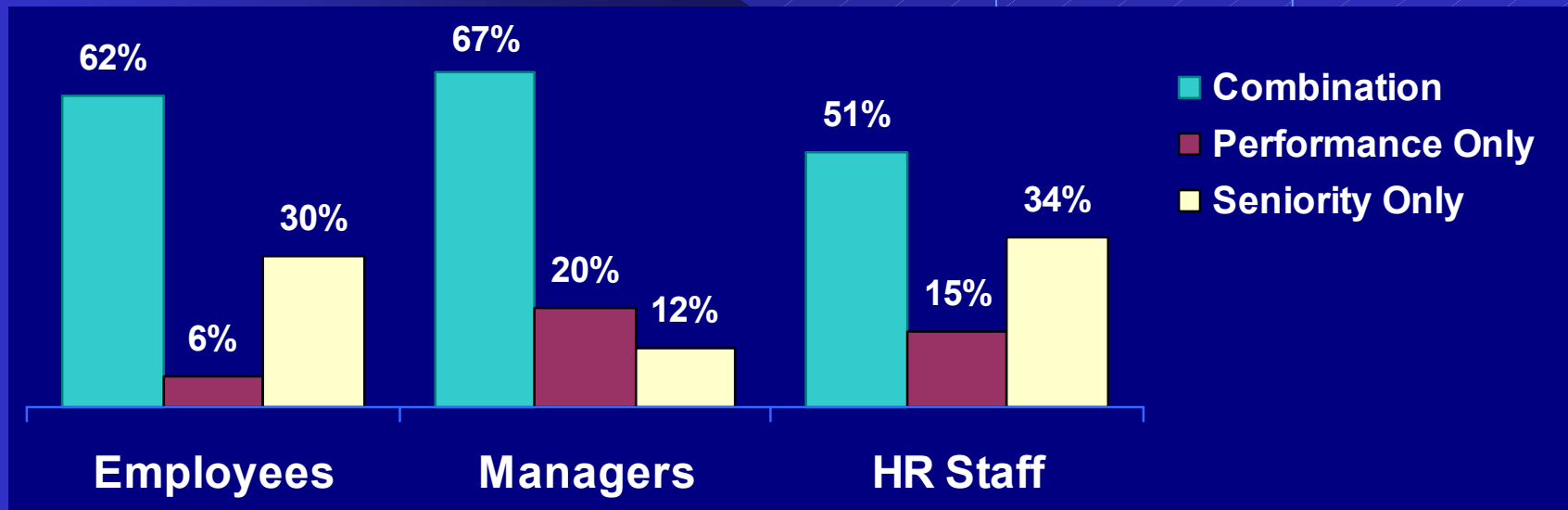
- ◆ Historically, by law, seniority has been the sole basis for determining who would be laid off during a reduction-in-force (RIF).
- ◆ Employees may “bump” more junior employees, based on predetermined layoff units and prior status in job class.
- ◆ For re-employment purposes, the most senior employee on a RIF register becomes a referral of one (Rule of 1).
- ◆ RIF rehires do not serve a review period.



## Reduction-in-Force

# Customer Research

Employees, managers, and HR professionals all strongly favor a combination of seniority and performance as the basis for layoff.



## Reduction-in-Force

# Considerations

- ◆ More emphasis on RIF avoidance options and strategies.
- ◆ Discontinue DOP approval of agency layoff procedures.
- ◆ Simplify and automate seniority calculations.
- ◆ Provide criteria in rule that agencies/institutions could use to make decentralized decisions about skill and competency requirements to avoid inappropriate job matches (bumping or rehire).
- ◆ Optional review period for rehire into a different agency or job class.

## Reduction-in-Force

# Considerations (cont.)

- ◆ In addition to seniority, agency/institution could be authorized to include choice of the following factors in its layoff plan or policy:
  - ◆ Performance
  - ◆ Skills/competencies
  - ◆ Other legitimate business requirements
- ◆ Each agency/institution would decide how to factor in performance. DOP would provide guidelines, models, and consultation.
- ◆ Agency/institution determines layoff unit composition.

# Considerations (cont.)

- ◆ Allow more alternatives to vacancies before considering bumping. For example:
  - ◆ Provide ability to consider vacancies where the person has not held permanent status.
  - ◆ Provide ability to retain current pay level even though a vacancy would technically be a demotion.
- ◆ Allow bumping into job classes in the class series in which permanent status has not been held. (Specifics need to be coordinated with changes to classification structure.)

## Reduction-in-Force

# Rehire Options

### ◆ Internal layoff list

- ◆ Option 1: All internal RIF names
- ◆ Option 2: All internal RIF names + promotional
- ◆ Option 3: All internal agency names (RIF, promotion, transfer, etc.)

### ◆ External layoff list

- ◆ Option 1: All RIF names + promotional
- ◆ Option 2: All RIF names + statewide movement names
- ◆ Option 3: All names

## Reduction-in-Force

# Discussion

- ◆ What do you think of allowing agencies to include other factors, in addition to seniority, in layoff decisions?
- ◆ How do you think this would work within your own agency/institution?
- ◆ Which of the proposed rehire options do you prefer?
- ◆ How do you think review periods for RIF rehires might impact the process?

# Work/Life Balance

# The Concept

- ◆ Employer-sponsored programs, benefits, and information that enhance productivity by supporting employees' need to balance work with daily demands of personal life.
- ◆ Includes matters such as:
  - ◆ Integrated work/life programs
  - ◆ Leave policies and practices
  - ◆ Telework and flexible schedules
  - ◆ Insurance and retirement benefits (not addressed here)



## Work/Life Balance

# Advantages

- ◆ Reduce costs related to hiring, training and development, and health insurance.
- ◆ Increase productivity, by reducing absenteeism and stress.
- ◆ Strengthen employee commitment by providing workplace flexibility and choices.
- ◆ Help attract and retain a broader range of talent.

# Considerations

- ◆ Create a central information source that better packages work/life balance programs and policies presently available (e.g., Employee Advisory Service, flexible schedules, Shared Leave Program, dependent assistance programs, telework, and leave for family care).
- ◆ Continue existing policy of agency discretion and flexibility in telework issues.
- ◆ Simplify and consolidate general government and higher education leave rules.

# Considerations (cont.)

- ◆ Eliminate “scheduled” work period designation, except where required by law (for institution workers in DOC and DSHS).
  - ◆ Use federal standard of overtime for more than 40 hours in a work week.
  - ◆ Provide more flexibility for employee and/or employer to adjust schedule as needed.

## Work/Life Balance

# Discussion

- ◆ How do you feel about eliminating the “scheduled” work period designation?

# Performance Management

## Performance Management

# Customer Research Results

- ◆ Importance of strong, effective performance management was a prevalent theme.
- ◆ Need to hold managers accountable.
- ◆ Need more flexibility in determining types of performance rewards, including time off and money.
- ◆ Corrective and disciplinary action processes too lengthy and stressful and often result in little or no action.
- ◆ Too much tolerance of poor performance, which undermines credibility of supervisors and is demoralizing to good performers, who often have to pick up the slack.

# Performance Management Considerations

- ◆ Provide performance recognition tools, as described in the compensation section.
- ◆ Link rewards to meaningful appraisals or other documentation of performance/achievement.
- ◆ Refine EDPP to use with employees and managers.
  - ◆ Agencies or institutions could add own criteria.
  - ◆ Include a clearer description of performance expectations.
- ◆ Develop a separate or supplemental tool to be designed for use in making pay, hiring, and/or layoff decisions.
- ◆ DOP will provide more detailed guidelines, training, and consultation.

# Positive Discipline Option

- ◆ Nonpunitive approach that requires employees to take personal responsibility for their behavior and/or performance and commit to improvement as a condition of continued employment.
- ◆ Developed by performance management expert Dick Grote, author of *Discipline without Punishment*.
- ◆ Provides for progressively serious steps and appropriate documentation.
- ◆ Gives the supervisor easy-to-use tools that effectively solve difficult problems.



# Positive Discipline Option (cont.)

- ◆ Emphasizes correcting the problem rather than punishing the employee.
- ◆ Demands personal responsibility.
- ◆ Encourages recognition of good performance.
- ◆ Generates compelling defensibility.
- ◆ Results in the employee's changing behavior, accepting responsibility, and returning to fully acceptable performance.
- ◆ Does not preclude employer from dismissing employees in cases when immediate dismissal is necessary.

## Performance Management

# Vision

- ◆ Agencies and institutions may be given flexibility to determine which process best meets their needs (i.e., updated existing process, positive discipline model, or modification thereof).
- ◆ Agencies and institutions may have the option to pilot the positive discipline approach on a voluntary basis.

## Performance Management

# Appeal Rights

- ◆ Employees will have appeal rights to the Personnel Resources Board for the following:
  - ◆ Dismissal
  - ◆ Suspension
  - ◆ Demotion
  - ◆ Rules violations
  - ◆ Reduction in salary

## Performance Management

# Discussion

- ◆ What do you see as the challenges and opportunities in implementing a performance-based culture in state government?
- ◆ What specific resources or training would DOP need to provide in order to help implement these changes?

# Overall impressions

- ◆ Overall, what do you see as the benefits to the new system?
- ◆ What pitfalls do you see in a system like this?
- ◆ What protections do you feel employees would need – or already have – in order to feel comfortable with the coming changes?
- ◆ Do you have specific suggestions for how DOP can help to ease the transition to the new system?

# Next Steps

- ◆ Continue meeting with agency extended management teams through June.
- ◆ Focus groups continue through mid-June.
- ◆ Proposed design concepts will be refined based on the feedback received.
- ◆ Information and feedback sessions will be held throughout the state beginning in late summer.
- ◆ Information on proposed design concepts will be posted on HR 2005 web site and opportunity provided for feedback.